

RATTET PLLC
Proposed Attorneys for the Debtor
202 Mamaroneck Avenue, Suite 300
White Plains, New York 10601
(914) 381-7400
Robert L. Rattet, Esq.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

THE D&M CAPITAL GROUP, LLC,

Chapter 11
Case No. 19-11711(SCC)

Debtor.

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**DECLARATION OF MOTY SPECTOR PURSUANT TO
LOCAL BANKRUPTCY RULE 1007-2**

MOTY SPECTOR hereby declares and states the following:

1. I am the manager and sole member of The D&M Capital Group, LLC (the “Debtor”). I have served as manager of the Debtor since it incorporated in New York State on February 2, 2006 and as such, I am familiar with the Debtor’s operations, businesses and financial affairs.

2. I submit this Declaration pursuant to Rule 1007-2 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Rules”) and in support of the Debtor’s Chapter 11 voluntary petition filed with this Court.

3. Part I of this Declaration describes the Debtor’s business, equity structure and circumstances leading to the commencement of this chapter 11 case. Part II provides information required by Local Bankruptcy Rule 1007-2.

PART I

BACKGROUND

4. I have been in the diamond wholesale and retail business for approximately 40 years.

5. The Debtor was formed in 2006 and leased its business premises at 592 Fifth Avenue, 5th Floor, New York, New York (the "Premises").

6. The Debtor specializes in buying and selling high end diamonds throughout the world.

7. The Debtor operated profitably until early 2019 when one of its largest creditors purchased approximately \$7.5 million of diamonds from the Debtor and, instead of paying for such delivered product, improperly applied it against an antecedent debt owed by the Debtor. As a result of refusing the make payment to the Debtor, the Debtor was left with unreasonably small capital and was rendered insolvent, making it impossible to pay the Debtor's current and ongoing expenses and liabilities.

8. My attorneys have advised me that the withholding of the Debtor's monies by this creditor constitutes an avoidable preferential transfer under Section 547 of the Bankruptcy Code.

9. If these goods or sale proceeds can be successfully recovered, they can be equally and equitably distributed to all of the Debtor's creditors as part of a plan of reorganization.

10. The Debtor therefore filed for protection to be able marshal such assets, preserve its business and formulate an equitable repayment plan for all of its creditors.

PART II

INFORMATION REQUIRED BY LOCAL BANKRUTPCY RULE 1007

11. In addition to the foregoing, Local Bankruptcy Rule 1007-2 requires certain information related to the Debtor, which is set forth below.

Local Rule 1007-2(a)(1)

12. The Debtor filed for Chapter 11 as a result of the improper withholding of goods by and avoidable transfer of collateral to one of its creditors within the 547 preference period, which claims total, net to the estate, more than \$3.75 million, and the resulting impact such transfer had on the Debtor's continued operations and relationship with its creditors.

Local Rule 1007-2(a)(2)

13. This case was not originally commenced under Chapter 7 or 13 of Title 11 of the United States Code, 11 U.S.C. §§ 101, et seq., as amended by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the "Bankruptcy Code").

Local Rule 1007-2(a)(3)

14. Upon information and belief, no committee was organized prior to the order for relief in this Chapter 11 case.

Local Rule 1007-2(a)(4)

15. A consolidated list of the names and addresses of the Debtor's 20 largest unsecured claims, excluding "insiders" as that term is defined in § 101(31) of Bankruptcy Code is annexed hereto as **Schedule I**.

Local Rule 1007-2(a)(5)

16. A list of the names and addresses of the five largest secured creditors is annexed hereto as **Schedule II**.

Local Rule 1007-2(a)(6)

17. A summary of the Debtor's assets and liabilities is annexed as **Schedule III**.

Local Rule 1007-2(a)(7)

18. There are no publicly held securities of the Debtor.

Local Rule 1007-2(a)(8)

19. None of the Debtor's property is in the possession of any custodian, public officer, mortgagee, pledge, assignee of rents, or secured creditor, or any agent for such entity.

Local Rule 1007-2(a)(9)

20. The Debtor operates from 592 Fifth Avenue, New York, New York 10036 pursuant to an unexpired sublease with Ultimate Diamond, an unaffiliated entity.

Local Rule 1007-2(a)(10)

21. The Debtor's substantial assets, as well as books and records are located at 592 Fifth Avenue, New York, New York 10036.

Local Rule 1007-2(a)(11)

22. There are no legal actions currently pending against the Debtor.

Local Rule 1007-2(a)(12)

23. The Debtor's current senior management consists of Moty Spector, manager.

Local Rule 1007-2(b)(1)

24. The estimated payroll to employees (exclusive of officers and directors) for the thirty (30) day period following the filing of the chapter 11 petition is \$27,000.

Local Rule 1007-2(b)(2)

25. The estimated amount to be paid for services to its officers and directors for the thirty (30) day period following the filing of the Chapter 11 petition is \$0.

Local Rule 1007-2(b)(3)

26. The estimated schedule of cash receipts and disbursements for the thirty (30) day period following the filing of the Chapter 11 petition, net cash gain or loss, obligations and receivables expected to accrue but remaining unpaid, other than professional fees is annexed as

Schedule IV.

CONCLUSION

Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury that the foregoing is true and correct.

Dated: New York, New York
June 18, 2019

/s/ Moty Spector
Moty Spector, Manager

Schedule I

List of Debtor's 20 Largest Unsecured Creditors

SEE ATTACHED

Fill in this information to identify the case:

Debtor name	The D & M Capital Group, LLC
United States Bankruptcy Court for the:	SOUTHERN DISTRICT OF NEW YORK
Case number (if known):	19-11711

Check if this is an
amended filing

Official Form 204

Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders

12/15

A list of creditors holding the 20 largest unsecured claims must be filed in a Chapter 11 or Chapter 9 case. Include claims which the debtor disputes. Do not include claims by any person or entity who is an insider, as defined in 11 U.S.C. § 101(31). Also, do not include claims by secured creditors, unless the unsecured claim resulting from inadequate collateral value places the creditor among the holders of the 20 largest unsecured claims.

Name of creditor and complete mailing address, including zip code	Name, telephone number and email address of creditor contact	Nature of claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of claim		
				Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
Cobra 71 West 47th Street Suite 511 New York, NY 10036						\$12,000.00
ERB Gems 20 West 47th Street Suite 900 New York, NY 10036						\$12,100.00
Essex Global 580 Fifth Avenue 21st Floor New York, NY 10036			Disputed Subject to Setoff			\$6,500,000.00
Global Gems 214201 Addison Place Court Bonita Springs, FL 34134						\$300,000.00
Isaac Friedman 580 Fifth Avenue, 7th FL New York, NY 10036						\$20,493.75
IT Tec Solutions 39 Allen Street New Hyde Park, NY 11040						\$6,506.85
Mega Rich Hong Kong						\$6,400.00
Mid NY LLC 580 Fifth Avenue, Ste 3003 New York, NY 10036						\$100,000.00
Olga Misimiskaya Flat 2, House #A Bolshoy Predtechenskiyper Moscow, Russia						\$4,813,793.00

Debtor **The D & M Capital Group, LLC**
Name

Case number (if known) **19-11711**

Name of creditor and complete mailing address, including zip code	Name, telephone number and email address of creditor contact	Nature of claim (for example, trade debts, bank loans, professional services,	Indicate if claim is contingent, unliquidated, or disputed	Amount of claim		
				Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
Palawan Holdings Ltd. Room 50 The Lucky Bldg. 39 Wellington Street Central Hong Kong						\$100,000.00
PDD Seroya 21 Tuval Street Yahalom Bldg Ramat Gan Israel 52521						\$3,735.00
Radwan 2301/2302 Twin Towers Baniyas Street Deira Dubai U.A.E.						\$1,500,000.00
SB Diamond 50 West 47th Street Suite 1611 New York, NY 10036						\$500,000.00
SJ International 71 West 47th Street Suite 50 New York, NY 10036						\$8,667.25
Ultimate Diamond 580 Fifth Avenue Fifth Floor New York, NY 10036						\$781,747.28
Worldstar 44 W. 47th Street Suite GF-1 New York, NY 10036						\$40,000.00

Schedule II

List of Debtor's 5 Largest Secured Creditors

NONE

Schedule III

Debtor's Balance Sheet as of 5/27/19

SEE ATTACHED

6/17/2019
6:32 PM

D&M Capital Group
Statement of Assets, Liabilities and Members' Deficit

ASSETS

05/27/19

Current Assets

Cash & Equivalents	\$ 1,486
Accounts Receivable	8,035,564
Inventory	5,874,738
Prepaid Expenses and other current assets	<u>41,326</u>
Total Current Assets	<u>13,953,114</u>

Property and Equipment 51,546

Other Assets

Security Deposits	28,959
Total Other Assets	<u>28,959</u>

Total Assets \$ 14,033,619

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	11,842,945
Accrued Expenses and other miscellaneous payables	12,525
Due from related parties	180,256
Loans Payable	<u>8,445,000</u>
Total Current Liabilities	<u>20,480,726</u>

Other Liabilities

Subordinated loan payable 2,360,000

Total liabilities 22,840,726

Member's Equity

Members Equity (8,807,108)

Total Member's Equity (8,807,108)

Total Liabilities & Equity 14,033,618

Schedule IV

30 Day Budget

SEE ATTACHED

